

## Message Text

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ACTION COME-00

INFO OCT-02 EA-10 ISO-00 AGRE-00 CIAE-00 EB-08 INR-07

LAB-04 NSAE-00 SP-02 STR-06 TRSE-00 FRB-03 OMB-01

L-03 CTME-00 /045 W

-----130534 252249Z /73

R 250808Z JAN 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 791

INFO AMEMBASSY SEOUL

AMEMBASSY TAIPEI

AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

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E.O. 11652: NA

TAGS: ETRD, RP

SUBJECT: SPECIFIC ACTIVITIES TO CIRCUMVENT FOOTWEAR ORDERLY  
MARKETING AGREEMENTS (OMA)

REF: STATE 008343

1. EMBOFF DISCUSSED JANUARY 25 WITH TRADE SECRETARY TROADIO  
QUIAZON REPORTS THAT TAIWANESE AND KOREAN FIRMS ARE PLANNING  
TO CIRCUMVENT FOOTWEAR ORDERLY MARKETING AGREEMENTS BY SHIFT-  
ING FINAL ASSEMBLY TO FIRMS IN OTHER COUNTRIES, INCLUDING THE  
PHILIPPINES. SPECIFICALLY, REPORTS MENTIONED THAT TAIWANESE  
COMPONENTS WOULD BE SENT TO TWO PHILIPPINE COMPANIES -- PARA-  
MOUNT AND LOTUS -- FOR FINAL ASSEMBLY AND SHIPMENT.

2. QUIAZON REACTED STRONGLY, SAYING THAT THE GOP WOULD NOT  
PERMIT SUCH ASSEMBLY OPERATIONS. THERE WOULD BE NO VALUE  
ADDED, AND HE APPRECIATED THAT SUCH CIRCUMVENTION WOULD ALSO  
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INVITE ADVERSE U.S. REACTION. EMBOFF GAVE QUIAZON  
NAMES AND ADDRESSEES OF PHILIPPINE COMPANIES CITED  
REFTEL.

3. PARAMOUNT VINYL PRODUCTS CORPORATION IS PRIMARILY  
A MANUFACTURER OF PLASTIC PRODUCTS AND IS LOCATED IN  
CALOOCAN CITY, METRO MANILA. LOTUS EXPORT SPECIALIST,

INC., IS HEADED BY YANG TOO KIM, A KOREAN NATIONAL, AND WAS ESTABLISHED IN 1970. IT IS A SHOE MANUFACTURER LOCATED IN THE BATAAN EXPORT PROCESSING ZONE. WTDR REPORTS ON THESE TWO FIRMS BEING PREPARED.

4. EMBOFF ALSO RAISED SUBJECT WITH CONRADO SANCHEZ, GOVERNOR ON THE BOARD OF INVESTMENTS. SANCHEZ REACTED AS STRONGLY AS QUIAZON AND POINTED OUT THAT BOI POLICY PROHIBITS BOI REGISTERED FIRMS FROM FABRICATING SHOES WITH SEMI-PROCESSED MATERIALS. HE PERSONALLY KNEW PARAMOUNT VINYL AND SAID IT IS ONLY STARTING TO MAKE SHOES, BUT HE WILL LOOK INTO THIS AS WELL AS THE LOTUS COMPANY.

5. COMMENT: EMBASSY BELIEVES GOP WILL NOT TOLERATE PHILIPPINE COMPANIES BEING USED TO ASSEMBLE SHOES FROM IMPORTED COMPONENTS. IT WANTS FULL VALUE ADDED AND DOES NOT WANT TO INVITE ADVERSE USG REACTION AND POSSIBLE COUNTERMEASURES. ON OTHER HAND, WE SHOULD EXPECT THAT PHILIPPINE COMPANIES WILL SEEK TO TAKE UP SLACK IN SUPPLY CREATED BY OMA'S WITH TAIWAN AND KOREA.  
NEWSOM

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NNN

## Message Attributes

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**Review Markings:**  
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